DOCUMENT RESUME

ED 072 884 RC 006 762

AUTHOR	Alford, Terry; And Others
TITLE	Rural Housing Rehabilitation Demonstration. Princeville, N. C.
INSTITUTION	North Carolina State Univ., Raleigh. School of Design.
SPONS AGENCY	Nash-Edgecombe Economic Development, Inc., Rocky Mount, N.C.; Natural Area Council, Inc., Washington, D.C.
PUB DATE	[72]
NOTE	48p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Community Development; *Developmental Programs; *Economic Disadvantagement; Federal Aid; Financial Support; *Housing; Low Income Groups; Prefabrication; *Rural Areas
IDENTIFIERS	Edgecombe County; North Carolina; *Princeville

ABSTRACT

Rural America is currently facing an overwhelming problem, the need for decent housing. Even though small towns and rural areas of Southern America have been undergoing drastic change over the past 2 decades, over one-half of all inadequate rural housing is located in the South. Substandard housing is, for the most part, inhabited by families with low incomes and low earning capacity. One rural community is doing something about its housing problems. Princeville, North Carolina, located in Edgecombe County, epitomizes the poverty and poor housing which is presently stifling many rural towns in the United States. Princeville is attacking its housing problem through a residential rehabilitation program with the help of such organizations as the Princeville Community Club, the Princeville Home Repair Program, the Princeville Rehabilitation Program, and the Princeville Community Development Corporation. Housing assistance is available to low-income families in Princeville and Edgecombe County through the Tarboro Housing Authority, the Federal Housing Administration, and the Farmers Home Administration. This booklet describes the activities of community organizations and the operating areas and the types of assistance provided by the various agencies. The appendix includes related housing design concepts and lists 6 housing assistance programs for rural housing rehabilitation. (NQ)

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RURAL HOUSING REHABILITATION DEMONSTRATION PRINCEVILLE, N. C.

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The preparation of this report was coordinated with research being conducted by the N. C. Agricultural Experiment Station, The Department of Economics, and the School of Design at N. C. State University. Additional information and support was provided by the Nash-Edgecombe Economic Development, Inc., Rocky Mount, N. C. and the America the Beautiful Fund of the Natural Area Council, Inc. Washington, D. C.

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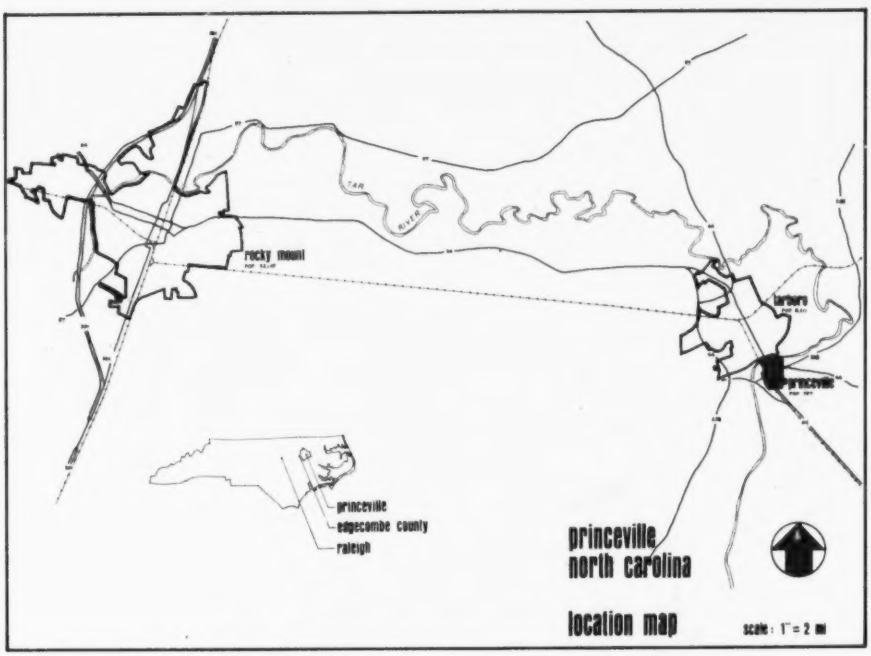
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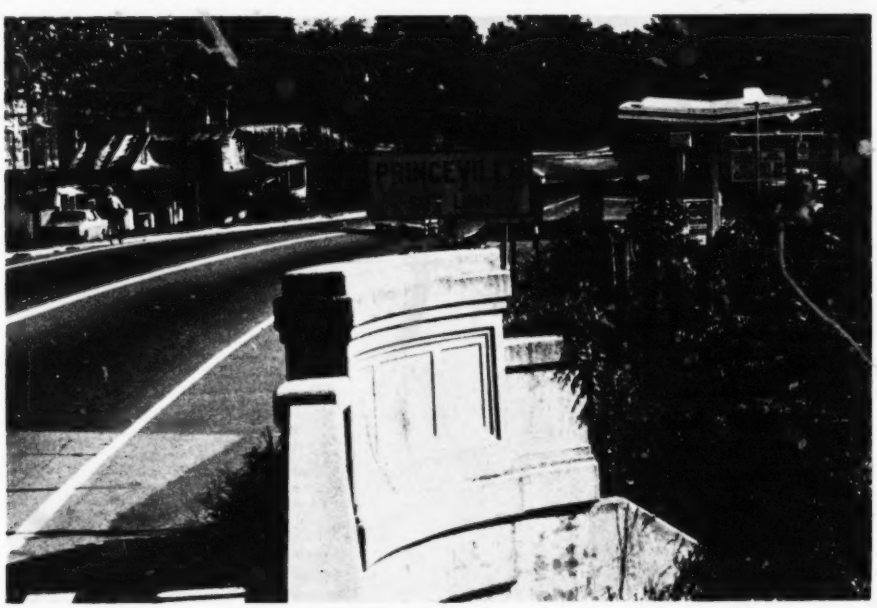

PREFACE

Based on 1970 statistics compiled by the Bureau of the Census, Edgecombe County continues to be one of the poorest rural areas in the country. Almost one half of the total number of families subsist on incomes below the poverty index. There are around 52,341 persons sparsely settled on a land area of 511 square miles, 7% of the population is comprised of senior citzens and the Infant Mortality Rate is one of the highest in the State of North Carolina. Forty-nine percent of all the residents 25 years or older has less than an eighth grade education. Numerous families are participants in the Food Stamps Program and the Emergency Food and Medical Services Program administered and implemented respectively by the Department of Social Services and CAA. The economy is rapidly shifting from one of agrarian enterprise to industrial growth and thus the per capita income of many low income families is gradually increasing annually. Dilapidated housing, poor health care, disorganized family life, unstable employment, lack of transportation, illitercy, inadequate recreation and isolation from the decision making process is omnipresent.

The realization that life under these conditions continues to persist may come as a severe moral shock to many of us; yet, Americans are beginning to understand that being poor is often a way of life into which people are locked from birth. The rural poor are isolated on the back roads and in the decaying small towns of rural America. Three-fouths of the American families who live both in poverty and in bad housing live in rural America.

The objective of this booklet, however, is not to transmit the social or human consequences of poverty or bad housing. Its purpose is to transmit what one rural community is doing to attack its housing problems. The Community Development Group, in coordination with the North Carolina State University Department of Economics and the Agricultural Experiment Station has been investigating the problems of housing the rural poor in the South. The Princeville Home Repair Program has, to a large extent, evolved as a demonstration product of this research.

Rehabilitation has traditionally been de-emphasized for little apparent reason. Given current housing shortages and limited funds, the cost and time advantages of rehabilitation should

have their greatest impact. The shorter life associated with rehabilitated units is of less importance, since they can be replaced by newly produced units when conditions are more propitious. But, rather than expanding and funding the organizational effort needed to make rehabilitation work, the government has emphasized the less difficult but more costly route of new construction. This has occurred in spight of the fact that supply of existing dwellings is at least forty times the size of annual additions to the housing stock.

Subsidization of the rehabilitation existing units have been discounted for various reasons. However placing of emphasis on new construction and rather the rehabilitation is in many cases inconstant with existing social, economic, and environmental conditions in rural America.

There are a variety of ways in which the rehabilitation process can be stimulated. The following study represents the most fundamental level at which a housing rehabilitation policy may begin–in and by the community.

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THE NATURE OF RURAL HOUSING NEEDS

The small towns and rural areas of Southern America have been undergoing drastic change over the past two decades. A primary force in this change has been the shift away from a labor-intensive agricultural economy. The high unemployment rate and out-migration that have characterized this period of change now appear to be leveling off. The 1970 census has revealed that the out-migration of households has ceased. Rural out-migration during the last decade consisted mainly of unmarried individuals. This stabilization is an indication that many more families are deciding to stay in rural communities, in spite of the continuing problems they must face.

One of the most overwhelming problems currently facing Rural America is the need for decent housing. Recent testimony before the U. S. Senate's Select Committee on Nutrition and Human Needs indicated that two-thirds of our nation's substandard housing is in rural areas. That is, of the seven million substandard units in this country, about four million are outside metropolitan areas. The National Rural Housing Conference reported in 1969 that in the next decade 13.5 million new and rehabilitated units will be needed in small towns and rural areas.

The President's Commission on Rural Poverty has noted that over half of all inadequate rural housing is located in the South, Numerous reporters have described the deplorable housing conditions which continue to exist in the rural South. Most Americans, however, have no conception of the filth, degradation, over crowding, and insecurity caused by inadequate housing.

Substandard housing is, for the most part, inhabited by families with low incomes and low earning capacity. Today, 15 million rural families are not earning enough to raise themselves above the poverty level. When contrasting the urban and rural problem the Advisory Commission on Intergovernmental Relations stated that incomes of families in rural areas are much lower, often 30-40 percent lower than those of urban residents. Since housing is such an expensive consumer item, low income is a major constraint limiting improved housing conditions. When coupled with rising construction costs and neglect of the existing stock, the result is rural slums that rival those of our cities.

THE CHARACTER OF THE PRINCEVILLE AREA

Princeville, North Carolina epitomizes the decay and abject poverty that is presently stifling many rural towns in the United States. Princeville is located in Edgecombe County, an area of Eastern North Carolina noted to be one of the poorest in the nation. More than 25% of the 14,700 occupied housing units are recorded by the 1970 census to be lacking one or more plumbing facilities. Located adjacent to the county seat of Tarboro, North Carolina, Princeville was incorporated in 1885 and is reputed to be the oldest black community in the United States. Today Princeville is plagued with serious social and economic problems. In recent years the unemployment rate has been over 20 percent, with many other persons employed only on a seasonal or part-time basis. Migration to major employment centers has taken most of the able-bodied young men and left a community presently dominated by matriarchal families containing many elderly and disable persons. Of the 175 families that have remained, over 60% are listed as earning less than $3,000 per year. Recent surveys have indicated that almost 90% of Princeville's occupied dwelling do not have complete plumbing facilities. The general condition of this housing has declined to the point where the winter months bring intolerable hardship. To date, very little has been accomplished in attempts to improve these conditions, particularly for those 120 families who rent their homes. Recent attempts to obtain an HUD grant for a municipal water and sewage system remain contingent on the town's ability to establish and maintain a strong tax base enabling amortization of the loan. A lack of local economic resources, absence of technical expertise, and a generally low level of awareness of available resources among the residents continues to impede the town's development.

The most fundamental problem in Princeville, as in many rural communities, is the grossly insufficient amount of money invested by both the public and private sectors in the maintenance, improvement, and expansion of the stock of dwelling units. The Farmers Home Administration (FmHA) ill-financed and understaffed, has provided the only support to housing poor rural families. Princeville, because of its proximity to the town of Tarboro (pop. 9,425) has, at various times during the past several

years, fallen under the separate jurisdictions of the Farmer's Home Administration (FmHA) and the Federal Housing Administration (FHA). It is currently classified as eligible for programs offered by the FHA--a necessary prerequisite for its application for a HUD municipal water and sewage grant. The FHA classification means Princeville is ineligible for the more appropriate scale and financing of programs offered by the FmHA. However, most lending institutions in rural areas are uninterested in making mortgage loans to high risk, low income families, even when government guarantees are available. Other types of investment bring a higher return on their limited loan capacity. Unless these lending institutions can be persuaded to supply a greater portion of the mortgage money required to remedy the low-income housing problem, the FmHA will continue to be the only source of financing for this special group.

The construction of new housing units has had very little influence on the improvement of the quality of rural housing stock. The trend toward rural out-migration that developed over the past two decades limited the demand for construction of new dwellings. The simultaneous inflationary trend in the building trades has contributed toward making the cost of new housing virtually inaccessible to moderate and low income households of the area. The rural market is thus dominated by its existing housing stock. New construction is providing only enough units to satisfy the market demand generated by the formation of new middle income households, and except in the case of public housing, is far out of the reach of most of the inhabitants of rural slums.

INITIAL EFFORTS TO IMPROVE HOUSING IN PRINCEVILLE

To date, local government, ill-financed and understaffed, has not been capable of coping with the overwhelming social, physical, and economic problems that are found in Princeville. Recently, however, the North Carolina Department of Natural and Economic Resources, under the provision of a Section 701 planning grant, established a program of planning management assistance with the city of Princeville. A city manager has been employed and he has, in a short time brought a semblance of order to municipal government affairs. This program of planning management assistance will contribute much to the development of additional projects for the improvement of living conditions in Princeville.

Efforts by Nash-Edgecombe Economic Development, Inc. have assisted residents of Princeville in the formation of the "Princeville Community Club". Initial meetings of the "Princeville Community Club" resulted in an expanded interest and concern for the need for improved housing. The club established "improved housing for Princeville" as its first primary goal. An early realization was that Princeville, essentially, is not amendable to the usual remedies prescribed for housing poor communities–namely, public housing or other government subsidy programs. In addition, the local community does not possess the financial solvency or long-term organizational potential to sponsor other low-income housing programs. More important, new construction, with the exception of public housing, is far out of the reach of most inhabitants of Princeville. For example, to afford the $60 monthly payment normally required for occupancy expenses (maintenance, utilities, taxes, and insurance) in new construction, a family must earn at least $2,880 to allot a standard 25 percent of its income just for these expenses. Consequently, if new housing were given away, only families earning about $3,000 would be able to afford the gift. And in Princeville very few families earn $3,000 a year.

THE EARLY DEVELOPMENT OF A PRINCEVILLE HOME REPAIR PROGRAM

In the absence of realizable alternatives, the Princeville Community Club initiated efforts to develop a home repair program. A steering committee of homeowners was formed to plan the development of the project. By organizing initial rehabilitation efforts towards homeowners, the committee sought to determine the feasibility of rehabilitation per se. An initial goal was to determine the economic costs of various rehabilitation operations such as installation of septic tank, installation of bath, insulation of walls, etc. The most important goal, however, was to determine an organizational and management structure capable of dealing with the human as well as housing aspects of community based residential rehabilitation. This organizational structure also include strategies necessary to enable renters to purchase and rehabilitate their homes.

At this point on the suggestion of the Princeville town manager, the Princeville Community Club sought the assistance of the Community Development Group, (CDG) consisting of faculty and students of the School of Design, North Carolina State University. The CDG, the adovacy planning and design element of the School of Design, provided valuable assistance both in the design and specification of home improvements, and in the development of an organizational structure to make these improvements. Based on general criteria of dwelling suitablity as compared with the needs of the occupants, the Princeville Community Club selected the first 10 dwellings to be repaired. As the CDG began evaluating the deficiences of these dwellings, the Princeville Community Club began the first step toward forming an organization to rehabilitate them. The Community Club established The Princeville Community Development Corporation, (PCDC) a non-profit corporation established with the goal of community improvement.

HOUSING ASSISTANCE AVAILABLE TO LOW-INCOME FAMILIES IN PRINCEVILLE AND EDGECOMBE COUNTY

Essentially, there are three sources of housing assistance in the Princeville-Edgecombe County area: the Tarboro Housing Authority, the Federal Housing Administration, (FHA), and the Farmers Home Administration (FmHA). The following text describes the operating area of these agencies and the type of assistance provided.

Tarboro Housing Authority--The housing authority provides low-rent public housing within the city limits of Tarboro; but, not in Princeville or Edgecombe County.

Federal Housing Administration--The FHA is responsible for providing assistance in the Tarboro-Princeville area (pop. 10,079) Section 235 and 236 code enforcement, etc. While these programs have been utilized to some extent in Tarboro, no activity has taken place in Princeville. Furthermore, the most applicable program, Section 235, recorded only one loan during 1970.

Farmers Home Administration--The FmHA has jurisdiction in places of less than 10,000 population. Consequently, the FmHA cannot operate in the Tarboro-Princeville area, but can operate in other parts of Edgecombe County. The FmHA administers three programs that can be applied to relieve housing problems in Edgecombe County: Section 502, 504, 515. First, under Section 502 direct loans are made to low to moderate income families (the average borrower's adjusted income for Section 502 in Edgecombe County during 1970 was $4,730) to build new homes or rehabilitate existing property. During 1970, 85 loans were made under Section 502 in Edgecombe County; 43 of these loans were made at the market interest rate (7%) and 42 were made under the interest credit provisions which can reduce the interest rate to as low as 1%.

Seventy of the 85, 502 loans during 1970 were for new construction costing an average of $12,436. For the most part, the FmHA 502 program can provide housing for families earning as low as $4,000--however, such families rarely receive FmHA loans. The

possibility of financing rehabilitation under Section 502 seems reasonable. The mortgage amount would be lower, say $6-8,000, and consequently, so would the monthly mortgage payments.

Second, under Section 504 direct loans of a maximum of $1500 are made to households which cannot qualify for Section 502 to repair their dwelling. These loans are made at 1% interest for 10 years. While this program could provide some valuable assistance even though the loan amount is not large enough to finance major improvements (bathroom, heating system, etc.), only one 504 loan was made in Edgecombe County during fiscal year 2970.

Third, under the Section 515 program, FmHA makes loans to non-profit sponsors to construct rental housing in rural areas. This program has not been utilized in Edgecombe County.

In summary, there is now a large segment of low-income families in Princeville and Edgecombe County who, for various reasons, do not have access to housing assistance that is potentially available. The strategies outlined in this booket shall help in the establishment of the mechanisms necessary to utilize existing programs and also provide new sources of assistance, particularly for rehabilitation.

THE NATURE OF THE PRINCEVILLE REHABILITATION PROGRAM

Utilizing existing community based resources, the potential for the development of a sound residential rehabilitation program is evident. With the assistance of O.E.O., three primary goals shall be achieved through the development of such a program:

1) Improved housing quality, for both renter and owner occupied dwellings;
2) Stimulation of local minority free enterprise through contracting of housing rehabilitation jobs;
3) Increased on-the-job training opportunities for local persons desiring to participate in courses in light construction at the Edgecombe County Technical Institute.

The area of operation of the program shall be limited to Princeville in the first two years; however, the self-substaining nature toward which the program will evolve should enable it to eventually become involved in home improvement on a county-wide basis.

A brief outline of the major participants in the development of the Princeville Community Development Corporation's Housing Rehabilitation Program follows:

The Nash-Edgecombe Economic Development, Inc. (NEED) shall administer the project during the first year, after which time its role shall diminish proportional to an increase in the administrative and organizational abilities of the Princeville Community Development Corporation (PCDC). The project administration shall be completely phased over to the PCDC by the end of the second year. NEED will continue, however, to provide the staffing and administration of the Consumer Counseling Service provided to participants in the rehabilitation program. Assistance in this program shall also be provided by the Edgecombe County Agricultural Extension Service. Rehabilitation strategies for the second year shall be based on the "rehabilitation technology" coming from the first year's experience.

The North Carolina State University School of Design, Community Development Group is assisting the Consortium and the PCDC in developing a "rehabilitation technology". This service shall consist of assistance in the development or rehabilitation designs, materials, and processes--including development of techniques and procedures for cost accounting rehabilitation operations.

The initial participants in this program will be Princeville homeowners. A consumer counseling board operated by N. E. E. D. shall assist the homeowners in finding the funds required to raise their dwelling to acceptable quality and standards. Three primary levels of standards of rehabilitation shall be provided:

1) FHA Approved Standard-improvements must meet requirements established in FHA Rehabilitation Guide for Residential Properties,
2) Local Housing Code Approved Standard- as dictated by local building code,
3) Minimum Quality of Livability Standard-dictated by those conditions necessary to insure an acceptable quality for human livability.

These three levels of rehabilitation shall be provided in response to:

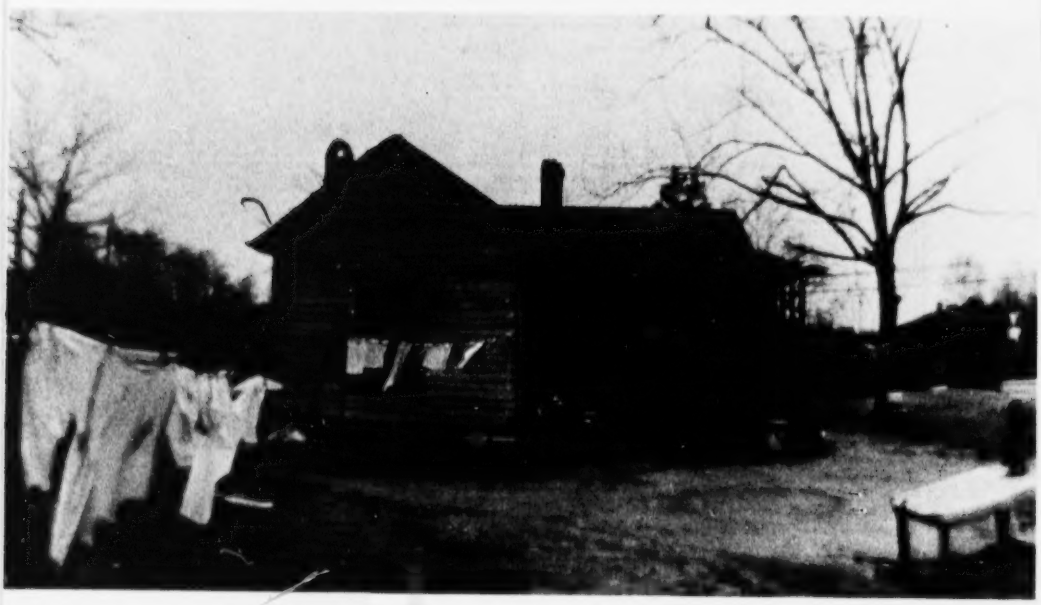
1) requirements established by funding sources,
2) requirements dictated by the existing condition or rehabilitatability of the individual dwelling,
3) the economic condition of the occupants, and
4) the degree of relative need of the occupants.

The Princeville Community Development Corporation (PCDC) shall provide low interest loans (1%) for terms up to 10 years for those households deemed eligible by the counseling board. These loans shall be made during the first two years only in amounts not exceeding $5,000 per household. Households receiving PCDC loans must also have a total annual adjusted household income of less than $4,000. The PCDC shall also become involved in the repair of rental dwellings either through the purchase of rental

property for rehabilitation and sale to previous occupants, or through contracts for repair made with landlords. An important goal for the first year's operation of the PCDC shall be to initiate procedures required to sponsor programs such as FHA 235, 236, and FmHA 515.

The actual rehabilitation construction will be carried out by the Consortium of Minority Contractors; however, some of the construction is expected to be sub-contracted to other specialized local builders such as plumbing, heating, and electrical contractors.

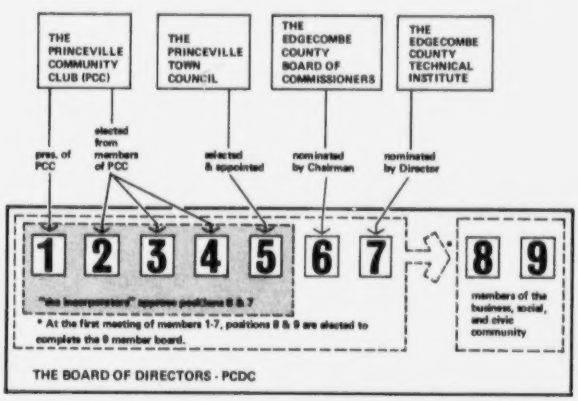
The Edgecombe County Technical Institute has agreed to assist in the construction phase of the rehabilitation by; 1) providing the Consortium of Minority Contractors with on-the-job trainees in light construction, 2) recruiting as many of these students as possible from the Princeville area, and 3) providing the contractors with free supervisory assistance in working on the job with the students.



THE ORGANIZATIONAL STRUCTURE OF THE PCDC

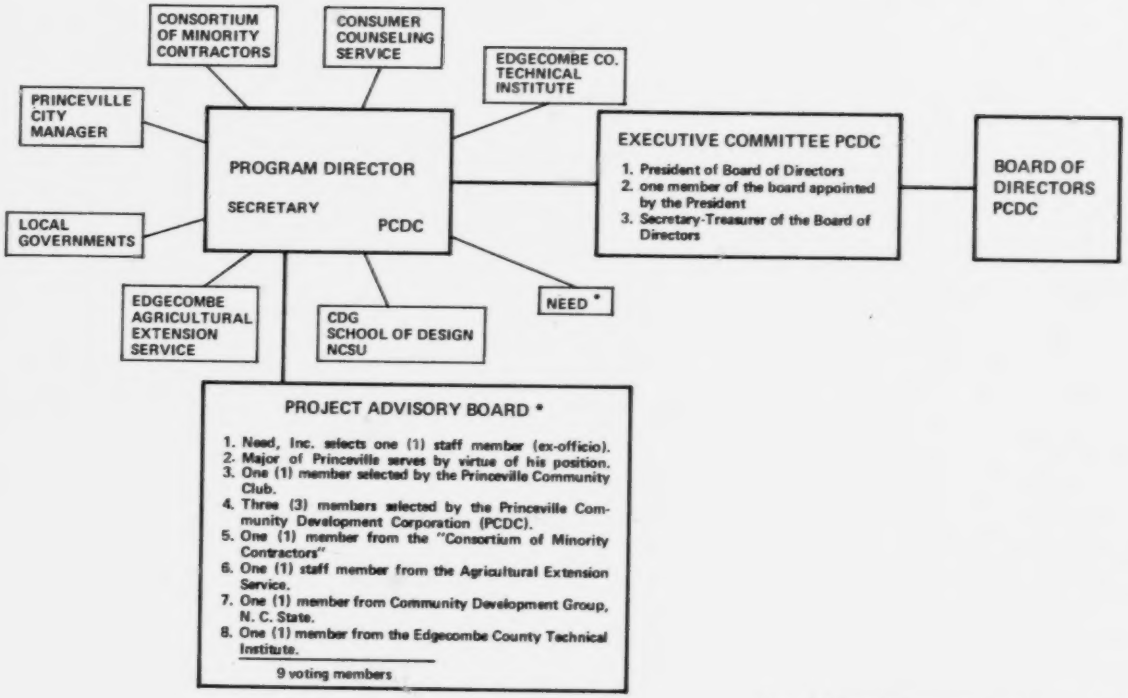
As primary sponsor of the rehabilitation program, the Princeville Community Development Corporation (PCDC) shall require growth in its present organizational structure. Diagram "1" describes the current structure of the PCDC Board of Directors and indicates a strong representation of the Princeville community. This board of directors shall elect the executive committee described in Diagram "2". The PCDC Executive Committee shall function as primary liason between the PCDC Board and the new full-time administrative staff of the PCDC. This administrative staff shall consist of a Program Director and his secretary. The operation of this new PCDC staff shall be funded during the first year by O.E.O. and is therefore subject to the guidance and approval of the Project Advisory Board and the Nash-Edgecombe Economic Development, Inc.

DIAGRAM 1
THE FORMATION OF THE INITIAL BOARD OF DIRECTORS



Henceforth, positions 2, 3, & 4, shall be elected from the membership of the entire corporation. Membership requires payment of $1. fee to the Secretary-Treasurer of the corporation and the completion & signature of required forms requesting information from the member.

DIAGRAM 2
THE ADMINISTRATIVE BODY OF THE PCDC:


CONSORTIUM OF MINORITY CONTRACTORS
CONSUMER COUNSELING SERVICE
EDGECOMBE CO. TECHNICAL INSTITUTE
PRINCEVILLE CITY MANAGER
PROGRAM DIRECTOR
SECRETARY
PCDC
EXECUTIVE COMMITTEE PCDC
1. President of Board of Directors
2. one member of the board appointed by the President
3. Secretary-Treasurer of the Board of Directors
BOARD OF DIRECTORS PCDC
LOCAL GOVERNMENTS
EDGECOMBE AGRICULTURAL EXTENSION SERVICE
CDG SCHOOL OF DESIGN NCSU
NEED *
PROJECT ADVISORY BOARD *
1. Need, Inc. selects one (1) staff member (ex-officio).
2. Major of Princeville serves by virtue of his position.
3. One (1) member selected by the Princeville Community Club.
4. Three (3) members selected by the Princeville Community Development Corporation (PCDC).
5. One (1) member from the "Consortium of Minority Contractors"
6. One (1) staff member from the Agricultural Extension Service.
7. One (1) member from Community Development Group, N. C. State.
8. One (1) member from the Edgecombe County Technical Institute.
9 voting members

*Nash-Edgecombe Economic Development, Inc. (NEED) reserves the right to monitor & approve all decisions in its responsibility as administering agency for the O. E. O. grant.

In implimenting the O.E.O. sponsored Home Repair Program, the PCDC will develop the organizational structure and administrative ability to initiate a variety of other federally supported programs for new and/or improved housing. And it is through these programs (e.g. FHA 235j) that the PCDC shall obtain the seed money necessary to continue its operation after the first year.

Diagram "3": "Consumer Flow Chart" indicates the consumer decision process by which one may be directed into the PCDC Loan Fund. The step following position B: "Establish Goals for Home Repair" indicates that a plan shall be devised for each consumer in accordance with the consumer's needs, qualifications, and financial abilities. A consumer counseling service will direct eligible people into various programs such as FHA 235,236, and FmHA 515. The PCDC loan fund shall be recommended only for those who are not qualified under other interest subsidy or loan guarantee programs. Eventually the PCDC shall direct more applicants into "Alternate Plans" rather than toward position C: "Decision to Apply for a PCDC Loan". Descriptions of the various FHA and FmHA programs to be utilized by the PCDC are appendicized.

One important goal of the PCDC is to eventually become active in the rehabilitation of rental housing as well as owner-occupied dwellings. Various strategies exist to enable the PCDC to purchase rental dwellings from landlords for the purpose of rehabilitating them for sale to low-income households. This program will be largely dependent on the PCDC's ability to obtain the seed money necessary to make the initial purchase of the rental dwellings. The Federal Housing Administration (FHA) under section 235 (j) provides guaranteed and insured loans as well as subsidies for households desiring to purchase a rehabilitated dwelling from a non-profit sponsor. Mortgages under this program may extend for 30-year terms with interest rates as low as 1%.

The PCDC home repair program is expected to provide between 15 to 25 households with the loans necessary to substantially improve their houses. The technical assistance provided by the NCSU School of Design is expected to increase both the quality

and quantity of repairs made for each loan amount. This design and construction administration assistance shall be further complemented by construction supervision services provided by the Edgecombe County Technical Institute.

It is hoped that the technical Institute's involvement will include the construction of "attachable bath units". These units will be completely c nstructed in the institute's shop, and then removed to Princeville to be attached to the houses by the minority contractors. Students at the Edgecombe Technical Institute will be paid by the PCDC for their on-the-job training in constructing the attachable bath units. Drawings of this and other design concepts are appendicized.

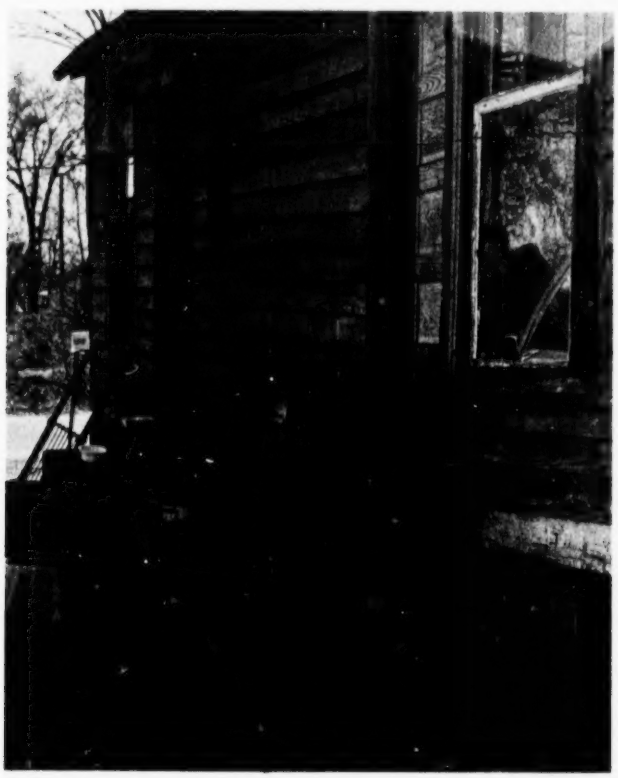
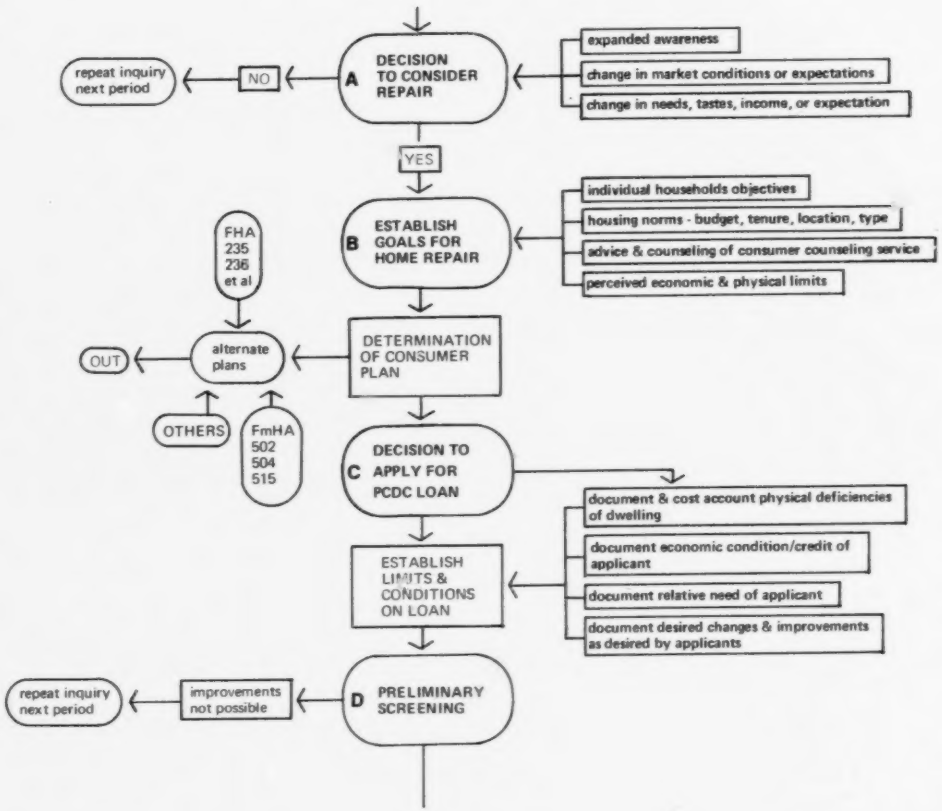


DIAGRAM 3

Consumer Flow Chart: Procedures for a PCDC Loan

Princeville Home Repair Program



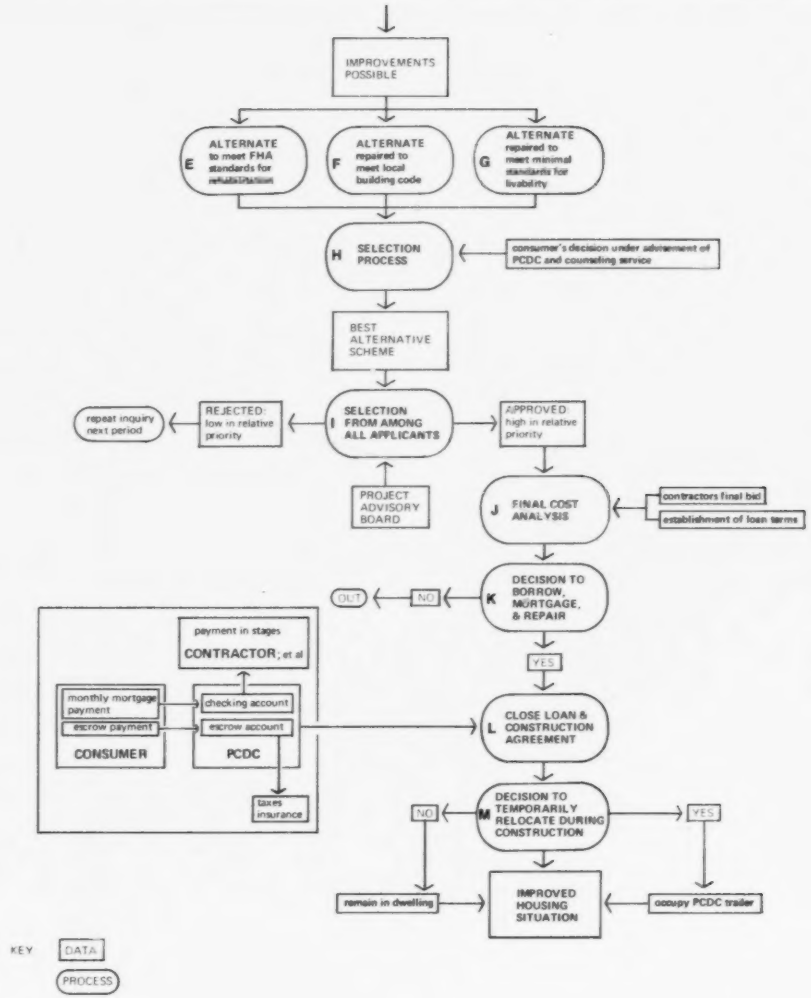

IMPROVEMENTS POSSIBLE
E ALTERNATE to meet FHA standards for rehabilitation
F ALTERNATE repaired to meet local building code
G ALTERNATE repaired to meet minimal standards for livability
H SELECTION PROCESS
consumer's decision under advisement of PCDC and counseling service
BEST ALTERNATIVE SCHEME
I SELECTION FROM AMONG ALL APPLICANTS
REJECTED: low in relative priority
repeat inquiry next period
APPROVED: high in relative priority
PROJECT ADVISORY BOARD
J FINAL COST ANALYSIS
contractors final bid
establishment of loan terms
K DECISION TO BORROW, MORTGAGE, & REPAIR
OUT
NO
YES
payment in stages
CONTRACTOR; et al
monthly mortgage payment
escrow payment
CONSUMER
checking account
escrow account
PCDC
taxes insurance
L CLOSE LOAN & CONSTRUCTION AGREEMENT
M DECISION TO TEMPORARILY RELOCATE DURING CONSTRUCTION
NO
YES
remain in dwelling
IMPROVED HOUSING SITUATION
occupy PCDC trailer
KEY
DATA
PROCESS

TABLE 2

FINANCIAL PLAN

Descriptive Example: Home Repair Loan From the PCDC

The Nature & Cost of Repairs

General Description of Operations	Contractor's Negotiated Fee = Labor + Materials + Contractors Profit
Foundation	
level structure & reinforce footings	$60
underpin house (concrete block)	$180
Floors	
lay linoleum in kitchen	$40
Ceilings	
replace ceilings in kitchen & bedroom with sheetrock	$335
Roof	
remove metal roof	$45
patch sheathing (plywood)	$28
insulate roof	$54
install asbestos shingles	$145
New Kitchen Cabinets	$390
Exterior Walls	
insulation (blown)	$168
painting (2 coats of enamel)	$210

General Description of Operations (cont.)	Contractor's Negotiated Fee = Labor + Materials + Contractors Profit
Utility Systems	
improve plumbing	$420
central heating	$830
electrical	$375
Bath Unit	
install complete bath unit with fixtures including hot water heater & septic system	$1090
Misc. Expenses	
additional repairs - e.g. window panes doors, hardware, etc.	$300
TOTALS	
construction cost	$4670
title search & lawyer's fees	$200
misc. closing costs	$30
TOTAL LOAN AMOUNT	$4900

THE PCDC CONSTRUCTION LOAN FUND

The construction loan fund will be used to make loans not exceeding $5,000 for terms not exceeding ten years at one percent interest. These loans can be used to pay the costs of materials, labor, and fees necessary for rehabilitation and will be secured by a mortgage against the improved property.

Eligibility for this loan program will be limited to those families with adjusted incomes of less than $4,000 with a clear title to their property living in the Princeville Community. The borrower must present evidence of ownership and verification of income and debts.

During the first year the construction fund will be made available to qualified low income applicants. The applicant's payments will begin immediately. The plan is to locate all participants and approve their applications at one time so that the loan periods will be the same. This task will be performed the Program Director subject to approval of Project Advisory Board. The monthly mortgage payments will range from $8.76 for a $1,000 loan to $43.80 for a $5,000 loan as illustrated in Table 1.

Table 1: Monthly payments for Various Loan Amounts at 1% interest for 10 years from the Construction Loan Fund

Loan Amount	Monthly Payment	Total Interest Charges	Total Amount Repaid
$1,000	$ 8.76	$ 51.20	$ 1,051.20
1,500	13.14	76.80	1,576.80
2,000	17.52	102.40	2,102.40
2,500	21.90	128.00	2,628.00
3,000	26.28	153.60	3,153.60
3,500	30.66	179.20	3,679.20
4,000	35.04	204.80	4,204.80
4,500	39.42	230.40	4,730.40
5,000	43.80	256.00	5,256.00

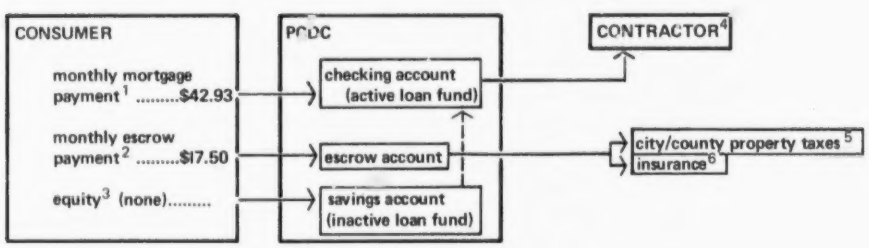
Table 2: FINANCIAL PLAN, indicates an example of the amounts and types of repairs that might be obtained thru a PCDC loan. The estimates were obtained from designs for the rehabilitation of a 1000 square foot house similar to many of the Princeville

DIAGRAM 4

THE TERMS OF THE PCDC LOAN

One percent (1%) interest for 10 years

LOAN AMOUNT	MONTHLY PAYMENT	TOTAL INTEREST CHARGES	TOTAL AMOUNT REPAID
$4900	$42.93	$251.00	$5151.00



NOTES:

1. Includes principal (labor and materials), Interest, and all miscellaneous closing costs.
2. Each participant will be required to make monthly payments to an escrow account, to be used by the PCDC in paying annual insurance fees and taxes for the mortgagee.
3. In some cases, the PCDC may require a small equity. This will apply only to those families seeking maximum loans to rehabilitate homes to meet FHA standards.
4. All contractors shall be licensed and bonded. Payment shall be advanced by stage of completion, e.g. initial - 20% of total cost; half - complete - 40% - completion - 40%
5. Based on $3.00 per $100.00 evaluation at 60%
6. Based on $3.00 per thousand of assessed ($10,000) value.

TABLE 3

Distribution of Monthly Payments after Home Repair under the PCDC Home Repair Program.

Total Loan Amount: $4900

Cost Component	Amount	Percentage
Mortgage [1]		
Principal and Interest (labor, materials, and misc. closing costs)	$42.93	48.6%
Insurance [2]	2.50	2.8%
Taxes [3]	15.00	17.0%
Maintenance [4]	8.00	9.0%
Utilities [5]	20.00	22.6%
TOTAL MONTHLY PAYMENT	88.43	100.0%
Family Income Required $4244 [6]		

NOTES:

1. $4900 mortgage for 10 years at 3 per cent interest.
2. Based on $3.00 per thousand of assessed value (10,000) annually.
3. Based on $3.00 per hundred of 60% ($6000) of the evaluated value.
4. Estimated monthly average
5. Estimated for North Carolina (U. S. average is $25)
6. Based on the assumption the $93 monthly payments required should represent no more than 25 per cent of the households total income.

houses. A description of the terms and cash flow of the resulting $4900 loan amount is provided in Diagram "4". Table "3" further defines the total distribution of monthly payments by a family receiving the nearly maximum PCDC loan amount.

By the end of the second year, the PCDC should be in a position to sponsor housing rehabilitated under Section 235 (j) and Section 502 of the National Housing Act. This achievement will give the PCDC the capacity to arrange long-term (30 years) financing at low interest rates. Generally, the average loan amounts available under these programs range from $4,000 - $10,000. (See Table 5)

However, only families earning between $3,000 - $6,000 can afford housing rehabilitated under Section 235 or 502.

Table 4: Monthly Payments to Amortize Various Loan Amounts Secured by Mortgages Insured Under Section 235 (j) or 502 for Various Terms at 1% interest.

Loan Amount	Mortgage Term (In Years)				
	10	15	20	25	30
$4,000	$35.00	$24.00	$18.40	$15.00	$12.88
5,000	43.75	30.00	23.00	18.75	16.10
6,000	52.50	36.00	27.60	22.50	19.32
7,000	61.25	42.00	32.20	26.50	22.54
8,000	70.00	48.00	36.80	30.00	25.76
9,000	78.75	54.00	41.40	33.75	28.98
10,000	87.50	60.00	46.00	37.50	32.20

Once the sponsorship of the government (FHA-FmHA) housing programs is realized, then the Construction Loan Fund can be used to assist families unable to qualify for government assistance. Families can be ruled ineligible for several reasons including poor credit rating, very low income, property inadequate security for long-term financing, etc.

Consequently, after the first year the repayments from the initial loans made from the Construction Loan Fund will be loaned on the following terms: loans will not exceed $3,000 for 10 years at 1% to families earning less than $4,000 with a clear title living in Edgecombe County. However, a sample of amortization of the loans in the first year is presented for descriptive purposes in Table 5.

Table 5: Amortization Schedule for Repayment of the Construction Loan Fund

	Interest	Principle	Total	Loan Amount
Year	Interest Payments	Principle Payments	Total Repayments	Loan Amount Outstanding
1	$500	$5,000	$5,500	$45,000
2	450	5,000	5,450	40,000
3	400	5,000	5,400	35,000
4	350	5,000	5,350	30,000
5	300	5,000	5,300	25,000
6	250	5,000	5,250	20,000
7	200	5,000	5,200	15,000
8	150	5,000	5,150	10,000
9	100	5,000	5,100	5,000
10	50	5,000	5,000	-0-
TOTAL	$2,750	$50,000	$52,750	-0-

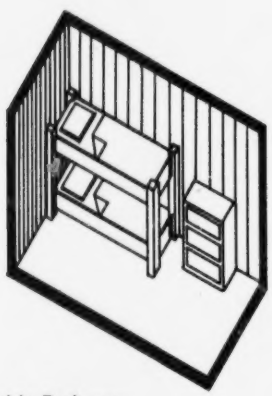
After the second year the amount of individual loans made from the Construction Loan Fund must be substantially reduced unless new funding is found. While at the same time, the geographic area covered is increased. Hence, a concerted effort will be organized N.E.E.D., Inc. and NCSU to solicit gifts and grants to supplement the loan fund. Foundations, religious organizations, local, state, and federal agencies will be approached. Monies received from these sources will be used in three possible ways: (1) supplement the Construction Loan Fund, (2) used as grants not exceeding $2,000 for families with incomes of less than $1,000 to repair homes, (3) used to assist renters to buy and repair the homes in which they are living.

APPENDIX

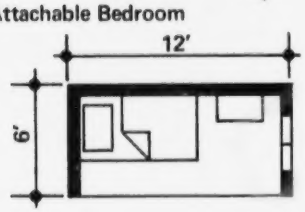
Related Design Concepts

Housing Assistance Programs

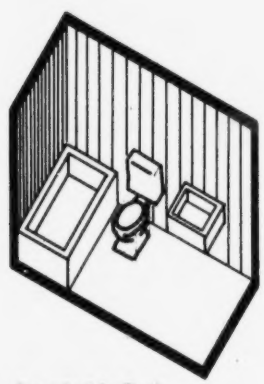
Attachable Unit 2
Bath/Bedroom



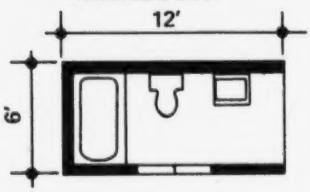
Attachable Bedroom



Plan — 1/8''' = 1' - 0''



Attachable Bath

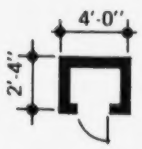


Plan — 1/8'' = 1' - 0''

Over two-thirds of all dwelling units in Princeville lack adequate bath and toilt facilities. Several of these dimensionally standardized units may also provide additional sleeping area. Preassembled attachable bath units are therefore scheduled for demonstration.

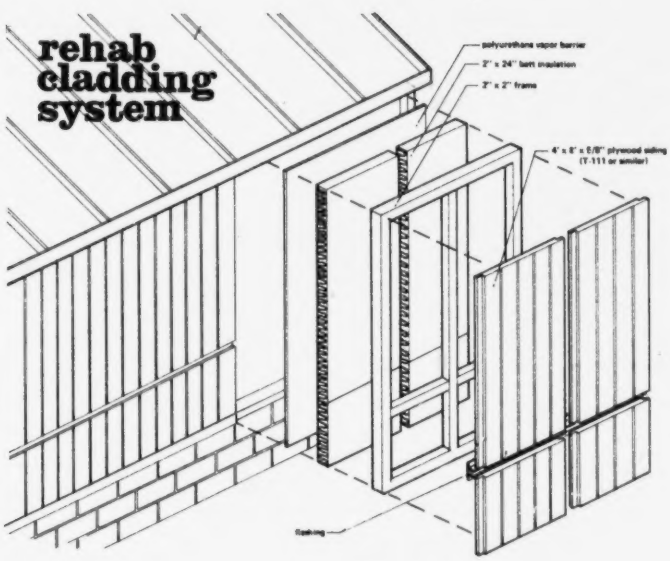
Modular Storage Unit:

Standard Storage Unit

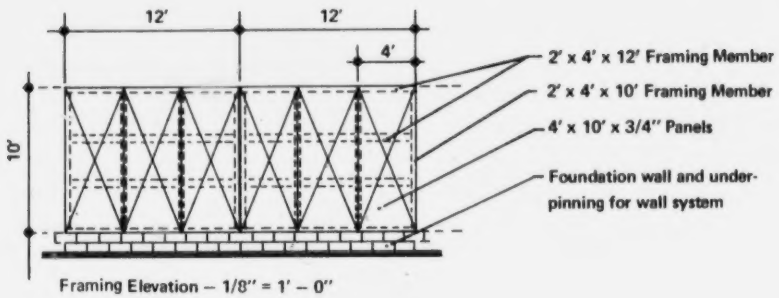


Plan -- 1/6" = 1' - 0"

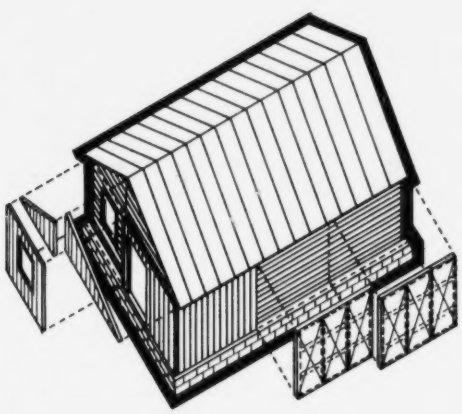
Preassembled storage units shall provide a flexible and economical system of storage and interior room separation and sub-division.



Preassembled Exterior Cladding System



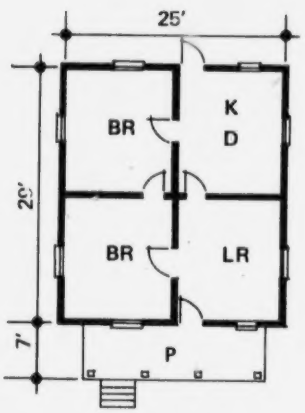
Framing Elevation – 1/8" = 1' – 0"

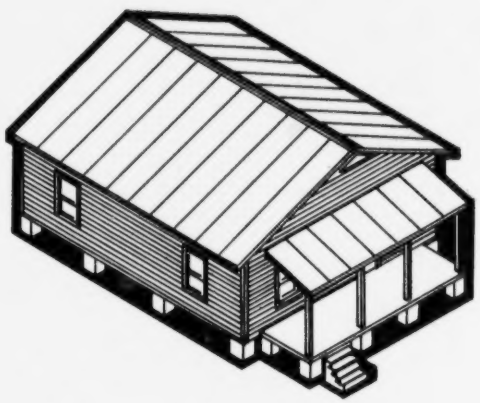


Descriptive Application

An exterior cladding system designed for factory production shall be utilized in both major rehabilitations. This system shall provide added structural stability, weatherproofing, and insulation to the existing structure

Example: Major Rehabilitation No. 1
Existing Dwelling



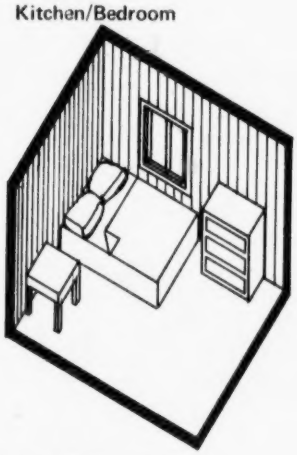


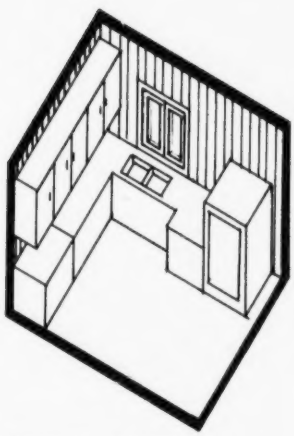
Plan – 1/16" = 1' - 0"

The existing dwelling lacks plumbing required for both bath and kitchen. Walls, ceilings, and roof require insulating. The existing structure (wood frame) is in good condition; however, the building will require recladding of the exterior and refinishing of interior surfaces. Exterior surfaces shall be recovered using a pre-assembled cladding system.

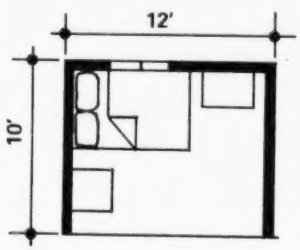
DESIGN CONCEPT:

Attachable Unit 1.
Kitchen/Bedroom



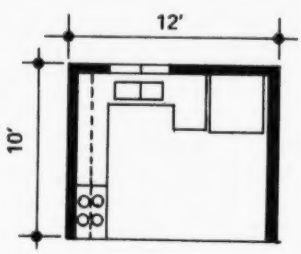


Attachable Bedroom



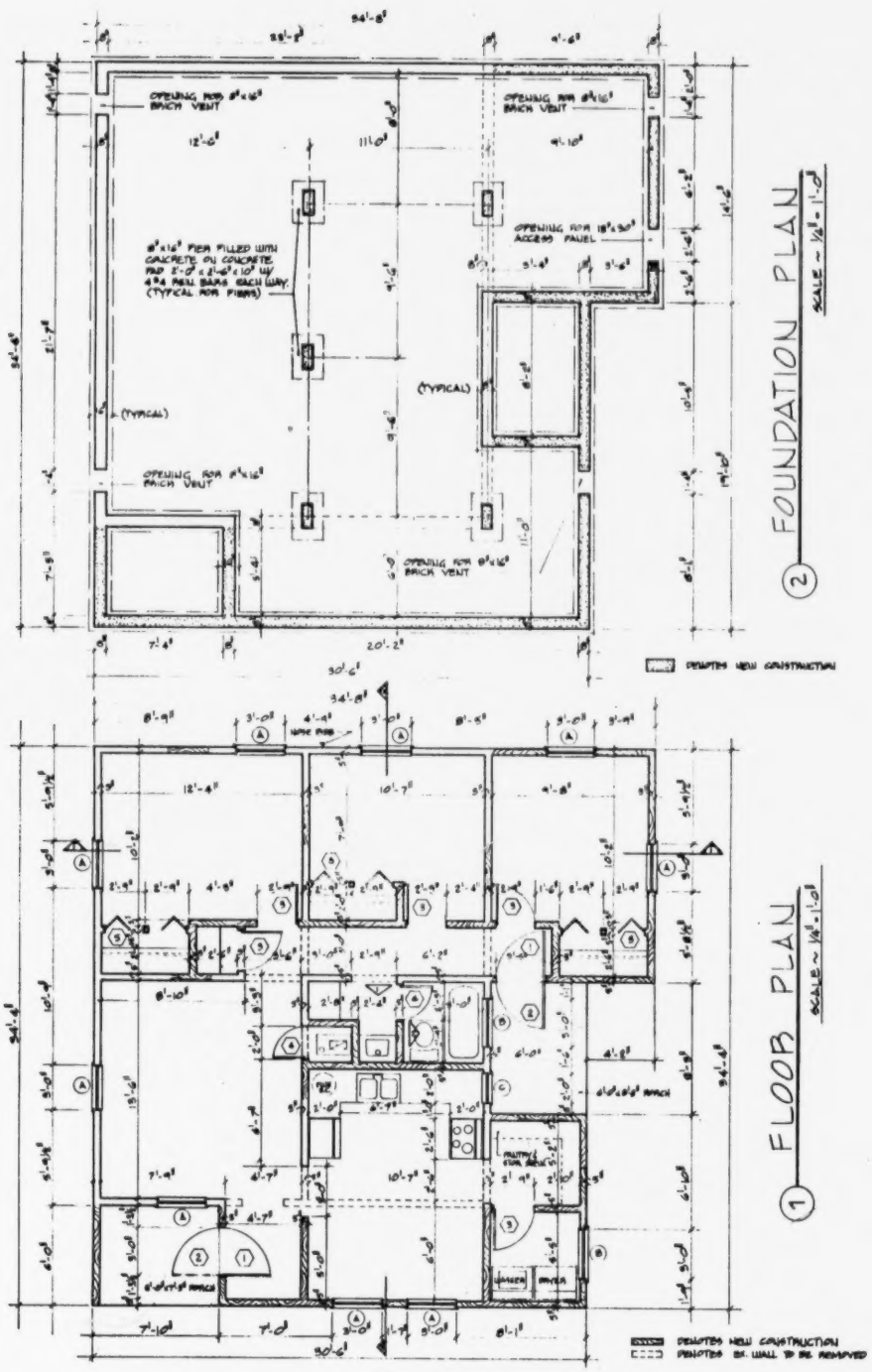
Plan – 1/8" = 1' - 0"

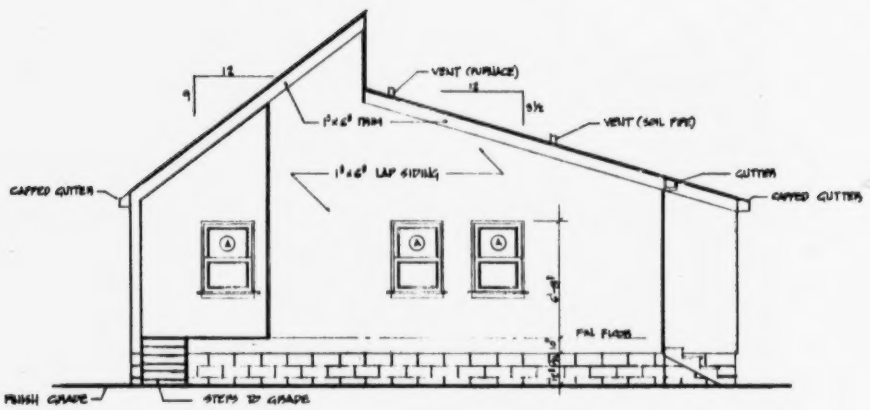
Attachable Kitchen



Plan – 1/8" = 1' - 0"

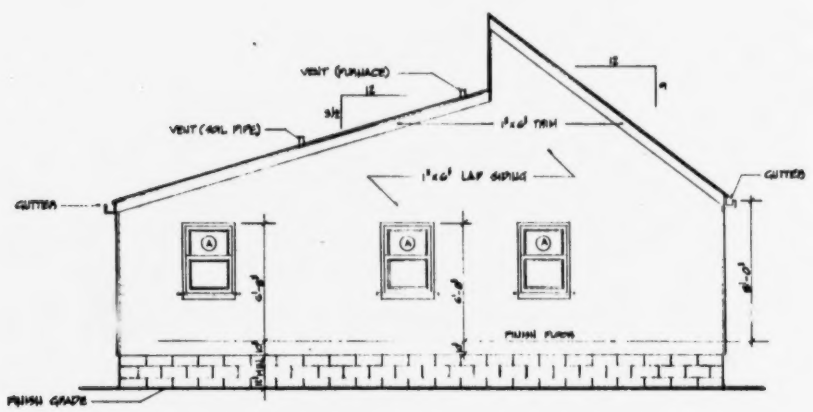
A dimensionally standardized unit suitable for factory production has been designed to enable the addition of preassembled rooms to existing dwellings. Attachable Unit 1 may be used interchangeably as bedroom or kitchen as required by the existing house.


OPENING FOR 8"x16" BRICK VENT
OPENING FOR 18"x30" ACCESS PANEL
8"x16" PIER FILLED WITH CONCRETE ON CONCRETE PAD 2'-0" x 2'-0" x 10" W/ 4 #4 REBAR BARS EACH WAY (TYPICAL FOR PIERS)
(TYPICAL)
FOUNDATION PLAN
SCALE: 1/8" = 1'-0"
DENOTES NEW CONSTRUCTION
FLOOR PLAN
SCALE: 1/8" = 1'-0"
DENOTES NEW CONSTRUCTION
DENOTES EX. WALL TO BE REMOVED



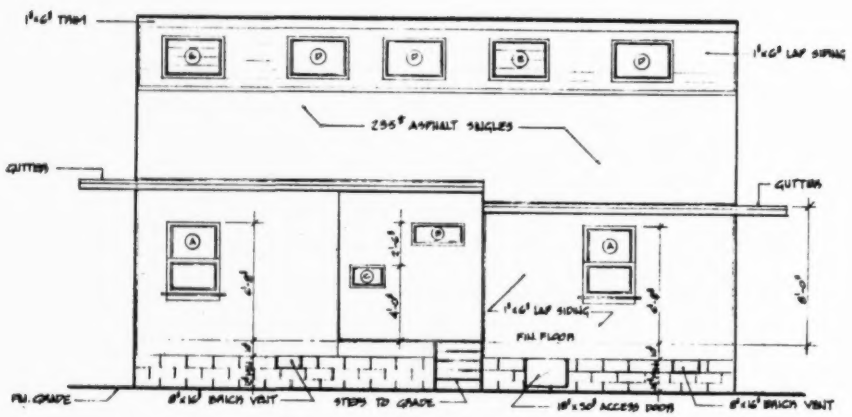
5 FRONT ELEVATION

SCALE ~ ¼" = 1'-0"



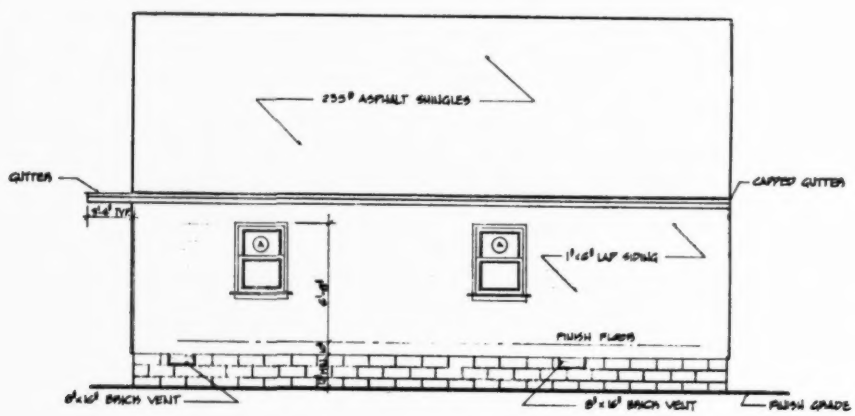
7 REAR ELEVATION

SCALE ~ ¼" = 1'-0"



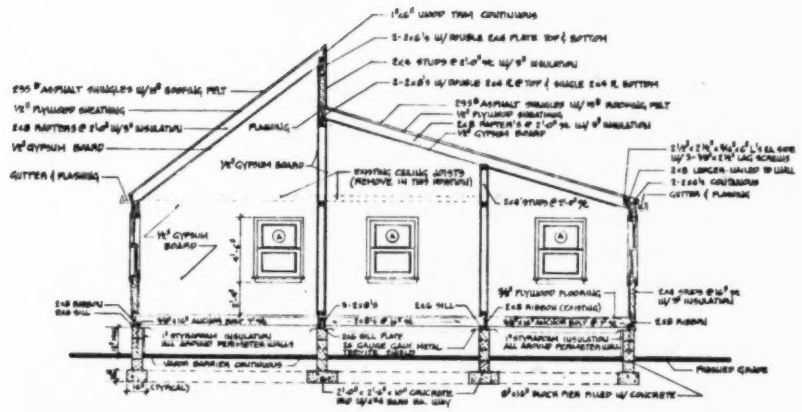
6 RT. SIDE ELEVATION

SCALE ~ 1/4" = 1'-0"

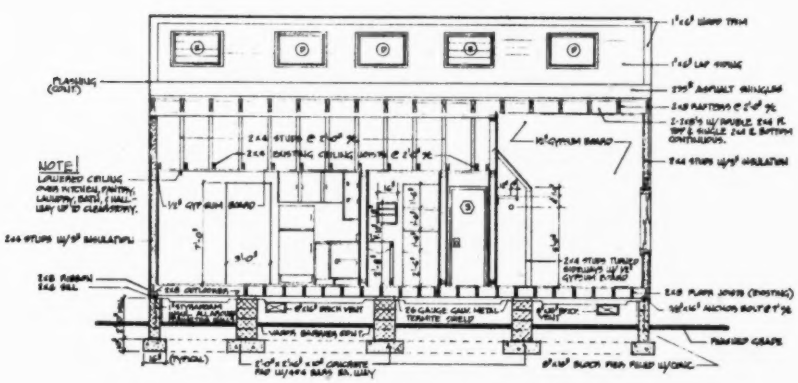


8 LT. SIDE ELEVATION

SCALE ~ 1/4" = 1'-0"



10 SECTION 1-1 (TRANSVERSE)
SCALE ~ 1/4" = 1'-0"



11 SECTION 2-2 (LONGITUDINAL)
SCALE ~ 1/4" = 1'-0"

WINDOW SCHEDULE			
MARK	SIZE	TYPE	REMARKS
A	3'-0" x 4'-0"	DOUBLE HUNG	W/ SCREEN
B	3'-0" x 1'-4"	WOOD AWNING	W/ SCREEN
C	1'-4" x 1'-4"	WOOD AWNING	W/ SCREEN
D	3'-0" x 2'-0"	WOOD FIXED	
E	3'-0" x 2'-0"	WOOD JALOUSIE	

DOOR SCHEDULE			
MARK	SIZE	TYPE	REMARKS
1	3'-0" x 6'-8" x 1 3/8"	S.C.	
4	3'-0" x 6'-8"	WOOD SCREEN	
3	2'-8" x 6'-8" x 1 3/8"	H.C.	
4	2'-0" x 6'-8" x 1 3/8"	H.C.	
5	2'-8" x 6'-8" x 3/4"	WOOD BI-FOLD	LOUVERED PANELS

COST BREAKDOWN
MAJOR REHABILITATION No. 1

EXHIBIT C: Cost Analysis of the Three-Bedroom, One-Story, 990 Square Feet

Construction Operations	Material Description	Material Quantity	Per Unit Cost	Material Cost	Installation Man Hrs.	Installation Total Labor Cost	Total Cost
Foundation							
leveling structure	rent hydralic jacks, et. al.	10	$5/day	$ 50	10	$ 24	$ 74
demolish foundation	na	na	na	na	10	24	24
dig and pour footings	concrete	183 c.f.	$.85/c.f.	106	35	84	190
lay foundation walls*	concrete block	70 blocks	$.30/ea.	21	30	72	93
Subtotal				$ 177	85	$ 204	$ 381
First Floor							
demolition	remove exterior siding where needed to attach new floors	na	na	na	3	$ 8	$ 8
framing (new)	2" x 8"	306 b.f.	$.18/b.f.	$ 55	25	60	115
sheathing	4' x 8' plywood	430 s.f.	$.12/s.f.	52	6	15	67
carpet w/matt	short pile shag	10 s.y.	$4.00/s.y.	40	2	5	45
lay linoleum in kitchen	1/8" sheets	35 s.f.	$.20/s.f.	7	3	8	15
lay linoleum in bath	1/8" sheets	22 s.f.	$.20/s.f.	5	2	5	10
refinish floors	sand and wax	650 s.f.	$.10/s.f.	65	9	22	87
Subtotal				$ 224	50	$ 123	$ 347
Ceiling							
demolish roof & ceiling	na	na	na	na	20	$ 48	$ 48
framing	2" x 8" rafter	450 b.f.	$.18/b.f.	$ 81	30	72	153
Install gypsum board	1/2" taped & painted	1,160 s.f.	$.14/s.f.	162	80	192	354
Subtotal				$ 243	130	$ 312	$ 555
Roof							
framing	2" x 8" rafters same as ceiling	–	–	–	–	–	–
sheathing	4' x 8' plywood	1,160 s.f.	$.12/s.f.	$ 140	30	$ 72	$ 212
insulation	2" Batt	1,160 s.f.	$.05/s.f.	58	8	20	78
felt	30 lb.	1,160 s.f.	$.02/s.f.	23	3	8	31
shingles	asbestos	1,160 s.f.	$.06/s.f.	93	15	36	129
Subtotal				$ 314	56	$ 136	$ 450
Exterior Walls							
framing	2" x 4" studs	210 b.f.	$.16/b.f.	$ 34	30	$ 72	$ 106
insulation	3" insulation	510 s.f.	$.14/s.f.	71	2	5	76
sheathing	1" x 6" boards	510 s.f.	$.20/s.f.	102	12	29	131
painting (all except walls)	2 coats	1,400 s.f.	$.06/s.f.	34	10	24	108
Subtotal				$ 291	54	$ 130	$ 421
Kitchen Cabinets				$ 370	4	$ 20	$ 390
Interior Walls & Part							
framing	2" x 4" studs	210 b.f.	$.16/b.f.	$ 34	30	$ 72	$ 106
gypsum board	1/2" taped & painted	2,600 s.f.	$.14/s.f.	364	145	350	714
Subtotal				$ 398	175	$ 477	$ 820
Windows/Doors							
doors	wood, hollow core	10	$20 ea.	$ 200	40	$ 96	$ 296
windows	wood, double hung	6	12 each	72	84	200	272
Subtotal				$ 272	124	$ 296	$ 568

Construction Operation	Material Description	Material Quantity	Per Unit Cost	Material Cost	Installation Man Hrs.	Installation Total Labor Cost	Total Cost
Total for General Contract				$2,389	678	$1,598	$3,932
Profit and Overhead (22%)							865
Utility Systems							
plumbing				$ 600		$ 230	$ 830
heating				430		200	630
electrical				300		175	475
Subtotal				$1,330		$ 605	$1,936
Profit and Overhead for Utilities (22%)							$ 425
Miscellaneous Costs (10%)							$ 715
Total Construction Costs							$7,872

EXAMPLE: MAJOR REHABILITATION No. 1, UTILIZING FHA 235j

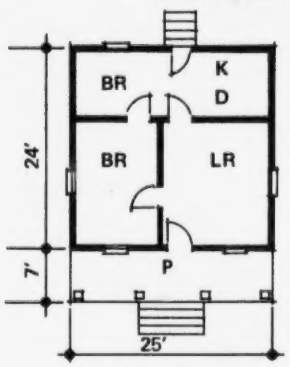
		Operating Cost	
Purchase Price:	$ 2500	Taxes[1]	$10.00
Cost of Repairs:	7800	Insurance[2]	3.00
Sales Price:	10300	Utilities[3]	30.00
Down Payment:	200	Maintenance[4]	9.00
Mortgage Amount:	10100		$52.00

	Term (in years)		
	20	25	30
Monthly Mortgage Payment[5]	$46.50	$38.10	$32.52
Total Monthly Housing Expense[6]	98.50	90.10	84.52
Minimum Eligible Family Income[7]	$4730	$4325	$4060

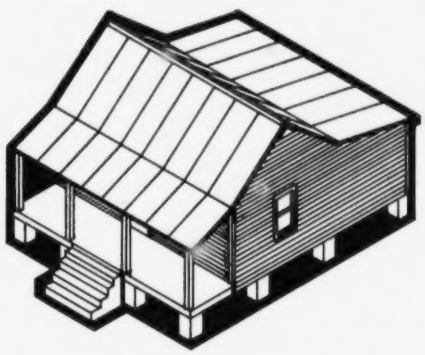
NOTES

1 Taxes computed on the basis of $12/$1000 purchase price
2 Insurance based on $3/$1000 purchase price
3 Average for existing FHA 3-bedroom houses in N. C. in 1968.
4 Average for existing FHA 3-bedroom houses in N. C. in 1968.
5 Computed on the basis of a 1% interest rate.
6 Monthly mortgage payment plus monthly fixed costs.
7 Based on spending 25% of total income for housing.

Example: Major Rehabilitation No. 2
Existing Dwelling

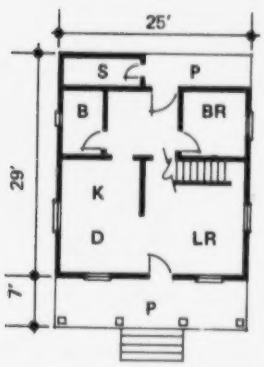


Plan – 1/16" = 1' - 0"

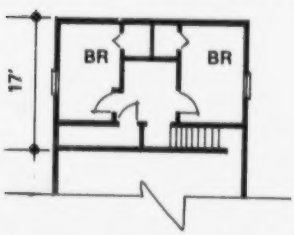


The dwelling presently lacks any interior plumbing facilities. The entire dwelling requires substantial insulation and weatherproofing including resheathing the exterior surfaces and re-roofing. Additional space will be required to supply needed sleeping areas for families of 4 to 8 persons. The exterior shall be recovered using a pre-assembled cladding system.

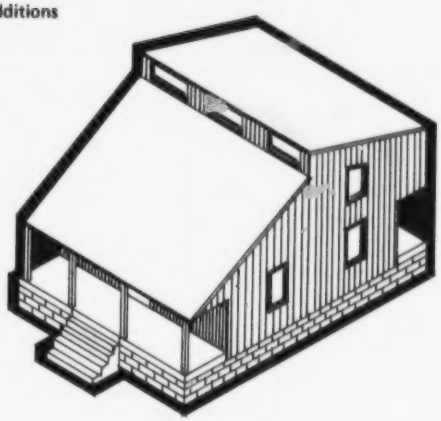
Example: Major Rehabilitation No. 2
Suggested Alterations and Additions



First Floor Plan – 1/16" = 1' - 0"



Second Floor Plan – 1/16" = 1' - 0"



Materials Required:

Exterior Siding (4' x 10' x 3/4" Panels)
Side – 11 Panels
Side – 14 Panels
Front – 7 Panels
Rear – 13 Panels
Interior Shed - 6 Panels
Total – 51 Panels

Interior Siding (4' x 8' x 1/4" Panels)
Wood/Gypsum Bd. etc.
LIV. RM. – 23 Panels
KIT/DIN. RM. – 20 Panels
MASTER BD. – 10 Panels
BATH – 8 Panels
LAUN./STOR. – 9 Panels
FOYER (2nd FL.) – 6 Panels
BD. RM No. 2 – 13 Panels
BD. RM. No. 3 – 13 Panels
CLOSETS – 8 Panels
Total – 110 Panels

Lumber/Framing
For 1 (12' Exterior Panel) 4 (2" x 4" x 10')
Frame 4 (2" x 4" x 12')

16 Panels + Extra Framing - 85 (2" x 4" x 10')
80 (2" x 4" x 12')

Roof Framing - (2" x 10" x 18') - 30

Floor Framing - (2" x 8" x 10') - 20
- (2" x 8" x 18') - 10
- (2" x 8" x 14') - 10

Doors 2 Solid Core (Exterior) (3'-0"x6'-8")
5 Hollow Core (Interior) (2'-6"x6'-8")
2 Folding Type (Interior) (4'-0"x6'-8" opening)

Windows – 8 3' x 5' Opening
Sheathing – Roof (4' x 8' x 1/2" Panels) 30 sheets
– Floor (4' x 8' x 1/2" Panels) 18 sheets
Total 48 sheets

Roofing – Cedar Shakes - Cover 900 sq. ft.
Ceiling – Sheet Rock - (4'x8'x3/8") 30 sheets
Insulation – (Celotex-Rigid) - (4'x10'x1/2")
51 Panels

HOUSING ASSISTANCE PROGRAMS APPLICABLE TO RURAL HOUSING REHABILITATION

HOUSING REHABILITATION LOANS AND GRANTS

POPULAR NAME

NONE

ADMINISTERING AGENCY

RENEWAL AND HOUSING MANAGEMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AUTHORIZATION

Grants—42 U.S.C. 1466, Housing Act of 1949, Sec. 115 as added by the Housing and Urban Development Act of 1965, Sec. 106(a), Public Law 89-117, 79 Stat. 451, 457.
Loans—42 U.S.C. 1456, Housing Act of 1964, as amended, Sec. 312, Public Law 88-560, 78 Stat. 769, 790.

OBJECTIVES

To provide funds to individuals and families who own and occupy residences and to owners and tenants of non-residential properties in Neighborhood Development Programs, urban renewal, code enforcement or certified areas.

TYPES OF ASSISTANCE

Project Grants; Direct Loans and Repayable Advances.

USES AND USE RESTRICTIONS

Provide financial assistance to rehabilitate property located in federally assisted code enforcement areas, urban renewal areas, areas where there is a rehabilitation or code enforcement plan or areas determined to be uninsurable because of physical hazards under the program of property insurance for not-affected areas.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: For grants—property must be residential, owner-occupied and contain up to four dwelling units. When grantee's income exceeds $3,000 per year, the grant may be reduced if the housing expense is less than 28 percent of his income.
For loans—borrower must be an owner of residential property or an owner or tenant of nonresidential property in any of the above described areas.
2. BENEFICIARY ELIGIBILITY: See applicant eligibility.
3. CREDENTIALS/DOCUMENTATION: Proof of eligibility for a grant or loan necessary.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: None.
2. METHOD OF APPLICATION: Submit the appropriate forms listed below to the local agency sponsoring the program; HUD 6260 (grant), HUD 6230 or 6245 (loan residential property), HUD 6247 (loan on nonresidential property).
3. DEADLINES: Application must be submitted while federally assisted project is being carried out.
4. RANGE OF APPROVAL/DISAPPROVAL TIME: Average time of 10 days.
5. APPEALS: None.
6. RENEWALS: None.

ASSISTANCE CONSIDERATIONS

1. TYPE OF GRANT: Project.
2. MATCHING REQUIREMENTS: None.
3. LENGTH OF ASSISTANCE PERIOD: Loans have up to 20-year maturity.
4. TIME PHASING OF ASSISTANCE: None.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: Progress of program using loans and grants must be submitted monthly.
2. AUDITS: None.
3. RECORDS: Records of all information on loans and grants must be kept.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 25-06-4036-0-3-555, Loans; 25-06-4065-0-3-552, Grants.
2. OBLIGATIONS: Fiscal year 1969: Grants, $32,700,000; fiscal year 1970: Grants, $95,000,000 estimated.
3. FACE VALUE OF LOANS: Fiscal year 1969: $26,000,000; fiscal year 1970: $43,000,000 estimate.
4. RANGE OF FINANCIAL ASSISTANCE: Loans; Grants up to $3,500.
5. OUTPUT MEASURE: Fiscal year 1969: Number of Loans, 3,781; Number of Grants, 5,148.

PROGRAM LITERATURE

"Rehabilitation Financing—RAA Programs Handbook". "Rehabilitating Residential Property in Urban Renewal and Code Enforcement Areas".

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Contact the appropriate HUD regional office listed in the appendix.
2. HEADQUARTERS OFFICE: Ralph L. Herod, Office of Renewal Assistance, Renewal and Housing Management, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, D.C. 20410, Telephone: (202) 755-6530.

INTEREST SUBSIDY—PURCHASE OF REHABILITATED HOMES BY LOWER INCOME FAMILIES

POPULAR NAME

235(j) HOMES

ADMINISTERING AGENCY

HOUSING PRODUCTION AND MORTGAGE CREDIT/FHA, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AUTHORIZATION

National Housing Act, as amended in 1968, Section 235(j); Public Law 90-448; 12 U.S.C. 1715(b), 1715(z); 24 CFR 235.501 et seq.

OBJECTIVES

To assist lower income families to purchase rehabilitated and standard existing homes from nonprofit sponsors at prices they can afford.

TYPES OF ASSISTANCE

Guaranteed and insured loans; subsidies.

USES AND USE RESTRICTIONS

FHA insures lenders against loss on mortgage loans. These loans may be used to finance the purchase of a single-family dwelling, a two-family dwelling, or a unit in multi-family structure which has been rehabilitated by a nonprofit sponsor. Maximum insurable loans for an occupant mortgagor are as follows: One-family home—$18,000, or up to $21,000 in high cost areas; two-family home—$24,000, or up to $30,000 in high cost areas. For a large family, the limit for a single home is $21,000, or up to $24,000 in high cost areas.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: Families eligible to apply for mortgage insurance and receive the benefits of the subsidies must fall within certain income limits as explained in program literature.
2. BENEFICIARY ELIGIBILITY: Same as applicant eligibility.
3. CREDENTIALS/DOCUMENTATION: Documentation regarding the characteristics of the property and the qualifications of the mortgagor are assembled by the mortgagee and submitted with the application.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: None.
2. METHOD OF APPLICATION: Application is submitted to an FHA insuring office through an FHA-approved mortgagee.
3. DEADLINES: None.
4. RANGE OF APPROVAL/DISAPPROVAL TIME: Normal processing time is 5 days for approval of the property and 3 days for approval of the mortgagor.
5. APPEALS: FHA will state the reasons for refusing an application. The applicant may reapply subject to concurrence of the lender.
6. RENEWALS: Not applicable.

ASSISTANCE CONSIDERATIONS

1. ASSISTANCE: For eligible families, the downpayment may be as low as $200. Assistance payments are made monthly by FHA to the mortgagee, and may bring down the effective interest paid by the homeowner to as low as 1 percent. Assisted families are required to pay for mortgage payments at least 20 percent of their adjusted income (income after certain allowable deductions).
2. CURRENT MAXIMUM INTEREST RATE: 8½ percent plus ½ percent for mortgage insurance premium.
3. LENGTH OF ASSISTANCE PERIOD: The mortgage terms may extend for 30 years, except 35 to 40 years where the mortgagor is unacceptable under a 30 years term. Interest reduction payments may extend for the full mortgage term, but cease when the assisted family income exceeds the maximum allowable for receiving the benefits of the subsidy.
4. FEES: The FHA application fee is $35 for existing, and $45 for proposed housing.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: Defaults in meeting the mortgage terms must be reported. All approved mortgagees at any time upon request by FHA must furnish a copy of their latest financial statement. Families receiving assistance must have their income recertified biennially as a basis for determining both their continuing eligibility, and the amount of benefits they receive.
2. AUDITS: The Department of Housing and Urban Development reserves the right to audit the account of the mortgagee to determine its compliance and conformance with FHA regulations and standards.
3. RECORDS: Mortgagees are required to service and maintain records in accordance with acceptable mortgage practices of prudent lending institutions and the FHA regulations. FHA requires that applications for assistance payments and biennial recertifications be forwarded to the insuring office by the mortgagee.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 25-24-4070-0-3-562, 25-24-0148-0-1-553.
2. OBLIGATIONS: All activity under this program is included in the figures reported in mortgage insurance, "Home for Lower Income Families," Section 235(i).
3. FACE VALUE OF LOANS: All activity under this program is included in the figures reported in mortgage insurance, "Homes for Lower Income Families," Section 235(i).
4. RANGE OF FINANCIAL ASSISTANCE: See above.
5. OUTPUT MEASURE: All activity under this program is included in the figures reported in mortgage insurance, "Homes for Lower Income Families," section 235(i).

PROGRAM LITERATURE

"Homeownership Assistance for Purchase and Resale of Housing to Lower Income Families Under sections 235(j) and 221(h)" HUD Handbook FHA 4400.9, no charge.

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Persons are encouraged to communicate with the nearest local FHA insuring office.
2. HEADQUARTERS OFFICE: Mr. M. Carter McFarland, Assistant Commissioner for Rehabilitation, Housing Production and Mortgage Credit/FHA, Department of Housing and Urban Development, Washington, D.C. 20410, Telephone: (202) 755-4000.

INTEREST REDUCTION PAYMENTS—RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

POPULAR NAME

236

ADMINISTERING AGENCY

HOUSING PRODUCTION AND MORTGAGE CREDIT/FHA, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AUTHORIZATION

National Housing Act, as amended in 1968, section 236; Public Law 90-448; 12 U.S.C. 1715; 24 CFR 236 et seq.

OBJECTIVES

To provide good quality rental and cooperative housing for persons of low- and moderate-income by providing interest reduction payments in order to lower their housing costs.

TYPES OF ASSISTANCE

Guaranteed and insured loans; subsidies.

USES AND USE RESTRICTIONS

FHA insures lenders against losses on mortgage loans. Insured mortgages may be used to finance the construction or rehabilitation of rental or cooperative detached, semidetached, row, walk-up, or elevator-type structures. The unit mortgage limits are as follows: efficiency, $9,200; one bedroom, $12,937; two bedroom, $15,525; three bedroom, $19,550; four or more bedroom, $22,137. Unit mortgage limits are somewhat higher for elevator type structures. In areas where cost levels so require, limits per family unit may be increased up to 45 percent.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: Eligible mortgagors include nonprofit, cooperative, builder-seller, investor-sponsor, and limited-distribution sponsors. Public bodies do not qualify as mortgagors under this program.
2. BENEFICIARY ELIGIBILITY: Families eligible to receive the benefits of the subsidies must fall within certain income limits. Families with higher incomes may occupy apartments, but may not benefit from subsidy payments.
3. CREDENTIALS/DOCUMENTATION: A nonprofit sponsor must receive from FHA certification of eligibility prior for submission of a formal project application.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: The sponsor will have a preapplication conference with the local FHA insuring office. The insuring office must issue a letter to the sponsor indicating that his project is feasible before a formal application is submitted.
2. METHOD OF APPLICATION: The sponsor submits a formal application through an FHA approved mortgagee to the FHA insuring office.
3. DEADLINES: Deadlines are established on a case-by-case basis by the local insuring office and are mutually agreed to at the preapplication conference.
4. RANGE OF APPROVAL/DISAPPROVAL TIME: Processing time, depending upon the degree of preparation by the sponsor, will range from 6 to 9 months from the first conference with FHA to the insurance of a firm commitment.
5. APPEALS: If an application for mortgage insurance is refused, FHA will state the reasons for the refusal. If reapplication is desired, the applicant may reapply subject to concurrence of the lender.
6. RENEWALS: The term of a commitment to insure may be extended when more time is required.

ASSISTANCE CONSIDERATIONS

1. ASSISTANCE: Assistance payments are made monthly by FHA to the mortgagee, and may bring the effective interest rate paid by the mortgagor down to as low as 1 percent. Benefits received in this way are passed on to those families qualifying for assistance. Assisted families are required to pay for rent at least 25 percent of their adjusted income (income after certain allowable deductions).
2. CURRENT MAXIMUM INTEREST RATE: 8½ percent plus one-half percent for mortgage insurance premium.
3. LENGTH OF ASSISTANCE PERIOD: The mortgage term normally extends for 40 years. Interest reduction payments may extend for the full term of the mortgage. For individual families, assistance ceases when their income exceeds the maximum allowable for receiving the benefits of subsidy.
4. FEES: The FHA application and commitment fee is $3 per $1,000 of the mortgage amount. The FHA inspection fee may not exceed $5 per $1,000 of the mortgage amount.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: Any change of the mortgagor during the period of mortgage insurance must be approved by FHA. Defaults in meeting the mortgage terms must be reported. All mortgagors are required to submit an annual financial statement to FHA. All approved mortgagees at any time upon request by FHA must furnish a copy of their latest financial statement.
2. AUDITS: The Department of Housing and Urban Development reserves the right to audit the accounts of either the mortgagee or mortgagor in order to determine their compliance and conformance with FHA regulations and standards.
3. RECORDS: FHA requires that tenant applications for assistance payments and biennial recertifications be forwarded to the insuring office by the sponsor. Regular financial reports are also required. Mortgagees are required to service and maintain records in accordance with acceptable mortgage practices of prudent lending institutions and the FHA regulations.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 25-24-4070-0-3-556; 25-24-0148-0-1-555.
2. OBLIGATIONS: Fiscal year 1970, total rental assistance payments, $2,300,000, estimated; fiscal year 1969, total rental assistance payments, none.
3. FACE VALUE OF LOANS: Fiscal year 1969: Total mortgages insured: $17,901,200 new units; $879,800 existing uits.
4. RANGE OF FINANCIAL ASSISTANCE: Not applicable.
5. OUTPUT MEASURE: Fiscal year 1969: Total units covered by insured mortgages: 1,213 new units; 72 existing units.

PROGRAM LITERATURE

"Rental Housing for Lower Income Families (Section 236)" HUD Handbook FHA 4442.1. No charge.

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Persons are encouraged to communicate with the nearest local FHA insuring office.
2. HEADQUARTERS OFFICE: Mr. Morton W. Schomer, Assistant Commissioner for Subsidized Housing Programs, Housing Production and Mortgage Credit—FHA, Department of Housing and Urban Development, Washington, D.C. 20410, Telephone (202) 755-4000.

LOW TO MODERATE INCOME HOUSING LOANS

POPULAR NAME

RURAL HOUSING LOANS

ADMINISTERING AGENCY

FARMERS HOME ADMINISTRATION, DEPARTMENT OF AGRICULTURE

AUTHORIZATION

Housing Act of 1949, as amended, section 502; Public Law 89-117 and 42 U.S.C. 1484 and 1486; 7 CFR 1822.1-1822.17.

OBJECTIVES

To assist rural families to obtain decent, safe, and sanitary dwellings and related facilities.

TYPES OF ASSISTANCE

Direct loans and repayable advances; guaranteed and insured loans.

USES AND USE RESTRICTIONS

The loans may be used for: Construction, repair or purchase of housing; provide necessary and adequate sewage disposal facilities for the applicant and his family; purchase or install essential equipment which upon installation becomes part of the real estate; buy a minimum adequate site on which to place a dwelling for applicant's own use. Housing debts may under certain circumstances be refinanced. Restrictions on the use of the loans are that: A dwelling financed for a family with a low or moderate income must be modest in size, design, and cost. An applicant must be without sufficient resources to provide on his own account the necessary housing, buildings, or related facilities, and be unable to secure the necessary credit from other sources upon terms and conditions which he reasonably could be expected to fulfill.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: Be the owner of a farm or nonfarm tract or a rural resident or a nonrural resident of low or moderate income who works in the rural area and will, when the loan is closed, become the owner of a nonfarm tract of minimum adequate size. Be a natural person (individual) who is a citizen of the United States or resides in the United States after being legally admitted for permanent residence. Have adequate and dependably available income to meet his operating and family living expenses, including taxes, insurance and maintainence, and repayments on debts including the proposed loan.
2. BENEFICIARY ELIGIBILITY: Same as applicant eligibility.
3. CREDENTIALS/DOCUMENTATION: May need to submit evidence of inability to obtain credit elsewhere, verification of income and debts, plans, specifications, and cost estimates.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: None.
2. METHOD OF APPLICATION: Filing an application with the county office of the Farmers Home Administration serving the county where the applicant desires to live.
3. DEADLINES: None.
4. RANGE OF APPROVAL/DISAPPROVAL TIME: 50 to 60 days from time application is filed if no backlog of applications exists.
5. APPEALS: Applicants request for reconsideration by county committee is granted. Applicant may meet with county committee to present facts concerning his situation, needs, and potential.
6. RENEWALS: Applicants may reapply at any time.

ASSISTANCE CONSIDERATIONS

1. TYPE OF GRANT: Not applicable.
2. MATCHING REQUIREMENTS: Not applicable.
3. LENGTH OF ASSISTANCE PERIOD: Not applicable.
4. TIME PHASING OF ASSISTANCE: Not applicable.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: None.
2. AUDITS: None.
3. RECORDS: None.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 05-60-4141-0-3-352.
2. OBLIGATIONS: Direct—Not applicable; insured—Not applicable.
3. FACE VALUE OF LOANS: Fiscal year 1970 (direct), $7,000,000, insured $719,000,000, estimate; fiscal year 1969 (direct), $2,800,000, insured $438,000,000.
4. RANGE OF FINANCIAL ASSISTANCE: Average initial loan (direct), $4,000; insured, $10,000.
5. OUTPUT MEASURE: Number of loans, fiscal year 1970 (direct), 2,460, insured, 81,260, estimate; fiscal year 1969 (direct), 1,394, insured 47,580.

PROGRAM LITERATURE

"Rural Housing Loans," PA-476, no charge.

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Interested persons should contact the county Farmers Home Administration office.
2. HEADQUARTERS OFFICE: James V. Smith, Administrator, Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250, Telephone: (202) 388-7967.

VERY LOW-INCOME HOUSING REPAIR LOANS

POPULAR NAME

SECTION 504 HOUSING LOANS

ADMINISTERING AGENCY

FARMERS HOME ADMINISTRATION, DEPARTMENT OF AGRICULTURE

AUTHORIZATION

Housing Act of 1949, as amended, sec. 504; Public Law 89-117 and Public Law 89-754; 42 U.S.C. 1474.

OBJECTIVES

To give very low-income rural homeowners an opportunity to make essential minor repairs to their homes to make them safe and remove health hazards to the family or the community.

TYPES OF ASSISTANCE

Direct loans and repayable advances.

USES AND USE RESTRICTIONS

To assist owner-occupants in rural areas who do not qualify for section 5 loans to repair or improve their dwellings in order to make such dwelling safe and sanitary and remove hazards to the health of the occupants, their families, or the community. This includes repairs to the foundation, roof or basic structure as well as water and waste disposal systems.

Restrictions on the use of loans are that, maximum loan of $1,500 for improvement of any one farm or nonfarm tract, may not be made to assist in the construction of new dwellings or farm buildings.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: Applicant must own and occupy a farm or rural nonfarm tract; be without sufficient income to qualify for a section 502 loan and have no reasonable prospect of improving his income to the extent that a section 502 loan to improve his housing could be repaid have sufficient income to repay the loan.
2. BENEFICIARY ELIGIBILITY: Same as applicant eligibility.
3. CREDENTIALS/DOCUMENTATION: Evidence of ownership and verification of income and debts.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: None.
2. METHOD OF APPLICATION: Made on application form obtainable in the local FHA offices.
3. DEADLINES: None.
4. RANGE OF APPROVAL/DISAPPROVAL TIME: From 30 to 60 days.
5. APPEALS: Applicants request for reconsideration by county committee is granted. Applicant may meet with county committee to present facts concerning his situation, needs, and potential.
6. RENEWALS: Applicants may reapply at any time.

ASSISTANCE CONSIDERATIONS

1. TYPE OF GRANT: None.
2. MATCHING REQUIREMENTS: None.
3. LENGTH OF ASSISTANCE PERIOD: Not applicable.
4. TIME PHASING OF ASSISTANCE: Not applicable.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: None.
2. AUDITS: None.
3. RECORDS: None.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 05-60-4141-0-3-352.
2. OBLIGATIONS: Not applicable.
3. FACE VALUE OF LOANS: Fiscal year 1970, direct—$10,200,000, estimate; fiscal year 1969, direct—$5,500,000.
4. RANGE OF FINANCIAL ASSISTANCE: Average initial loan—$1,000.
5. OUTPUT MEASURE: Number of loans, fiscal year 1970, direct—10,200, estimate; fiscal year 1969, direct—5,514.

PROGRAM LITERATURE

None.

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Interested persons should contact the county Farmers Home Administration Office.
2. HEADQUARTERS OFFICE: James V. Smith, Administrator, Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250, Telephone: (202) 388-7967.

RURAL RENTAL HOUSING LOANS

POPULAR NAME

NONE

ADMINISTERING AGENCY

FARMERS HOME ADMINISTRATION, DEPARTMENT OF AGRICULTURE

AUTHORIZATION

Housing Act of 1949 as amended, secs. 515 and 521; 42 U.S.C. 1485, 1490a; 7 CFR 1822.81–1822.97; 1822.231–1822.244.

OBJECTIVES

To provide for rural residents in economically designed and constructed rental and cooperative housing and related facilities suited for independent living.

TYPES OF ASSISTANCE

Direct loans and repayable advances; guaranteed and insured loans.

USES AND USE RESTRICTIONS

Loans can be used to construct, purchase, improve, or repair rental or cooperative housing. Housing may consist of apartment buildings, duplex units, or individual detached houses. Funds may also be used to provide recreational and service facilities appropriate for use of the dwellings and to buy and improve the land on which the buildings are to be located.

Restrictions: Loans may not be made for nursing, special care, or institutional-type homes.

ELIGIBILITY REQUIREMENTS

1. APPLICANT ELIGIBILITY: Applicant may be individuals, cooperatives, nonprofit organizations, or corporations unable to finance the housing either with their own resources or with credit obtained from private sources. However, applicants must be able to assume the obligations of the loan, furnish adequate security, and have sufficient income for repayment. They must also have the ability and intention of maintaining and operating the housing for purposes for which the loan is made.

2. BENEFICIARY ELIGIBILITY: Occupants must be low- to moderate-income rural residents, senior citizens, or low- to moderate-income urban residents working in a rural area.

3. CREDENTIALS/DOCUMENTATION: Applicant must furnish evidence of the following: (*a*) comprehensive market analysis showing the need for such service; (*b*) have legal capacity to incur the obligation and operate the housing; (*c*) sound budget; (*d*) unable to obtain necessary funds from other sources.

APPLICATION PROCESS

1. PREAPPLICATION COORDINATION: None.

2. METHOD OF APPLICATION: The application will be in the form of a letter to the FHA county supervisor in the county where the housing will be located. Appropriate attachments such as preliminary market data, cost estimates, and financial statement and plans if available should be included.

3. DEADLINES: None.

4. RANGE OF APPROVAL/DISAPPROVAL TIME: 90 to 200 days.

5. APPEALS: Applicants request for reconsideration by county committee is granted. Applicant may meet with county committee to present facts concerning his situation, needs, and potential.

6. RENEWALS: Applicants may reapply at any time.

ASSISTANCE CONSIDERATIONS

1. TYPE OF GRANT: None.

2. MATCHING REQUIREMENTS: None.

3. LENGTH OF ASSISTANCE PERIOD: Not applicable.

4. TIME PHASING OF ASSISTANCE: Not applicable.

POST ASSISTANCE REQUIREMENTS

1. REPORTS: During the first year of operation, monthly progress reports are to be made to the FHA county supervisor and longer should it be determined advisable to do so.

2. AUDITS: Annual audits required.

3. RECORDS: Good business records required.

FINANCIAL AND OUTPUT INFORMATION

1. ACCOUNT IDENTIFICATION: 05–60–4141–0–3–352.

2. OBLIGATIONS: Not applicable.

3. FACE VALUE OF LOANS: Fiscal year 1970; direct, $1,000,000; insured, $30,000,000; fiscal year 1969, direct, $800,000; insured, $16,500,000.

4. RANGE OF FINANCIAL ASSISTANCE: Average initial loan, $50,000; average subsequent loan, $30,000.

5. OUTPUT MEASURE: Number of loans fiscal year 1970, direct, 33; insured, 410 estimate. Fiscal year 1969, direct, 17; insured 373.

PROGRAM LITERATURE

"Rental and Co-op Housing in Rural Areas," PA–800.

INFORMATION CONTACTS

1. REGIONAL OR LOCAL OFFICE: Interested persons should contact the county Farmers Home Administration Office.

2. HEADQUARTERS OFFICE: James V. Smith, administrator, Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250, Telephone: (202) 388–7967.